

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 98-007-G - ORDER NO. 98-298

APRIL 27, 1998

IN RE: Annual Review of Purchased Gas)	ORDER
Adjustments (PGA) and Gas Purchasing)	RULING ON PGA &
Policies of South Carolina Pipeline)	GAS PURCHASING
Corporation.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on its annual review of South Carolina Pipeline Corporation's (SCPC's, Pipeline's, or the Company's) Purchased Gas Adjustment (PGA) and Gas Purchasing Policies.

Commission Order No. 87-1122 provides that an annual review be conducted of SCPC's PGA and Gas Purchasing Policies. In SCPC's last review, Order No. 97-477 in Docket No. 97-009-G dated June 9, 1997, resulted. Pursuant to the present filing, Petitions to Intervene were filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate), Lancaster/York/Chester Natural Gas Authorities (the Authorities), South Carolina Electric and Gas Company (SCE&G), and Nucor Steel.

A hearing was held on this matter on April 9, 1998 at 10:30 AM in the offices of the Commission, with the Honorable Guy Butler, Chairman, presiding. SCPC was represented by Mitchell Willoughby, Esquire and Catherine Taylor, Esquire. SCPC presented the testimony of Asbury H. Gibbes (Direct and Rebuttal) and Carlette L.

Walker. The Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire. The Consumer Advocate presented no witnesses. Neither the Authorities, nor SCE&G were represented by counsel, nor did these parties present witnesses. Nucor Steel was represented by Russell B. Shetterly, Jr., Esquire. Nucor Steel presented no witnesses. The Commission Staff (the Staff) was represented by F. David Butler, General Counsel. The Staff presented the testimony of Norbert Thomas and Brent Sires.

Asbury H. Gibbes testified in detail about SCPC's recent purchasing practices, concluding that, in his opinion, they were prudent. Brent Sires, on behalf of the Staff, concurred in this conclusion. There was no evidence presented at the hearing that contradicted this testimony. Based on the foregoing, the Commission concludes that SCPC's purchasing policies and practices were prudent during the review period of February 1997 through December 1997.

We also hold that there is no dispute over whether SCPC properly adhered to the tariff provisions relating to its gas costs during the review period. Company witness Carlette Walker described the procedure the Company followed for gas cost recovery, concluding that calculations had been made in accordance with the tariff and in compliance with Commission directives. Staff witness Norbert Thomas presented the Commission Staff's audit of the Company's cost of gas, verifying that the cost of gas for the review period had been properly accounted for. Finally, Staff witness Brent Sires testified that SCPC had accurately adhered to its tariff during the period under review. Therefore, we hold that SCPC properly applied its tariff and its cost of gas was properly recovered during the review period.

With regard to the hedging program, we hold that the program shall be continued as is. Although the program added to the cost of gas during the review period, the program has demonstrated an overall savings in gas cost, which merits continuation of the program. See the testimony of Company witness Walker and Staff witness Sires.

Further, we hold that the Company shall continue to reserve 20,000 DTs per day on an annual basis of the least expensive gas for the Weighted Average Cost of Gas (WACOG), a requirement emanating from our Order No. 91-1138. According to the testimony of Staff witness Sires, this program allowed reductions in the cost of gas during the review period of \$1,136,596.16 for customers whose gas purchases were made at the WACOG. Further, of this amount, SCE&G base rate customers realized gas cost reductions amounting to \$629,219.15. Even though we are mindful of the loss of margin suffered by the Company as noted by Company witness Walker, we agree with the recommendation of Sires that this program should be continued to insure that this benefit goes to the Company's firm customers.

Pursuant to the testimony, and the statement of the Consumer Advocate, we also hold that Pipeline should continue to use its best efforts to release capacity, using its present approved methodology.

We note that both the Commission Staff and the Company propose a modification to the Industrial Sales Program (ISP-R). The ISP-R was originally approved by the Commission for the purpose of enabling SCPC and its sale-for-resale customers to compete in the market against industrial fuels, such as propane, fuel oil, wood products, or coal. As stated by Staff witness Sires, the ISP-R allows SCPC and its sale-for-resale

customers to retain industrial gas load by supplying gas to industrial customers with alternative fuel Capabilities at a price that is competitive with the price of alternative fuel. This results in higher delivered volumes, greater system reliability, and efficiency in natural gas purchasing, to the benefit of all customers. The ISP-R has consistently and effectively achieved its objectives, and we hold that the program itself should be continued for that reason. We now consider the proposed modification and the reasons therefor.

Since transportation became a service offered in the marketplace, it has come to the point where we must consider examining, and possibly modifying the program to deal directly with gas-to-gas alternatives and gas-to-gas competition. Staff has begun to review contracts that appear to call for these alternatives, versus simple competition of gas with alternate fuels.

Accordingly, for clarification purposes, both Staff witness Sires and Company witness Gibbes propose a change to the definition of “qualifying customer.” “Qualifying customer” is presently defined as follows:

An industrial or commercial customer of the Company may be a qualifying customer if the customer is served on an interruptible basis and if (a) the customer has certified to the company an as fired price of an alternative fuel such that the Company must reduce the price of natural gas to the customer in order to remain competitive or (b) the customer uses natural gas as a feed stock and is served under a “Demand/Commodity” contract.

Staff witness Sires proposes leaving out the portion of the definition stating “if the customer is served on an interruptible basis and....” Company witness Gibbes suggests adding “(commodity or transportation)” after the words “interruptible basis.” We note that neither party has objections to the other’s change, and both parties agree that either clarification will convey the proper meaning, and will allow “gas-on-gas” competition to occur under the ISP-R program.

We agree that either definition change will create the desired result, but, upon reflection, we adopt the modification proposed by Pipeline. We think that it is important to continue to consider participants in the ISP-R “interruptible” in some fashion, be it as to commodity or as to transportation. We do not believe that a complete elimination of the word “interruptible” in the definition is appropriate at this time.

Having adopted this modification to the definition of “qualifying customer,” we hold that gas-to-gas competition is appropriate under the auspices of the ISP-R program.


Pipeline must file tariffs within fifteen (15) days of the receipt of this Order reflecting the changes made herein.

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This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:



Executive Director

(SEAL)